S U B M I S S I O N

of

THE SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

to

THE ONTARIO MEDICAL SERVICES INSURANCE ENQUIRY

December, 1963

Board of Directors - from sponsoring groups of employees (8).
" community (3)
Unions!

Payment of physicians
— have formed a medical group, which may submit bills (W.C.B.) - deposit in group account.

optometrist — employed by physicians to do refractions.

SUBMISSION

OF

THE SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION

TO

THE ONTARIO MEDICAL SERVICES INSURANCE ENQUIRY

December, 1963.

Mr. Osler
Dr. Fenner
Mr. Barker - chairman of Board
(? head U.S. Canada).

(1) Cost / Family / ~~Income~~ 4.50 single - 12.00 family.

(2) Home care - what is included?

(3) What are additional costs to subscriber
i.e. drugs, appliances (glasses)
dental care.

THE CHAIRMAN AND MEMBERS,
MEDICAL SERVICES INSURANCE ENQUIRY

Gentlemen:

Sault Ste. Marie & District Group Health Association is a corporation without share capital, formed for the purpose of providing for its subscribers "all medical and dental services required in the prevention, diagnosis or treatment of disease and illness on a non-profit prepayment basis."

Its formal structure and basis of operation are described elsewhere. We will content ourselves here with pointing out a number of features which, separately or in combination, make it a venture unique in Canada but capable of being adapted to the needs of many Ontario Communities. Such features include the following:

1) It provides the vehicle for a great extension of the practice, now common in industry, of providing health care and treatment for employees of industrial concerns by agreement between employers and the trade union of their employees' choice.

2) It provides a unique example of efficient consumer self-help, in that the persons whose health is being cared for are the very persons who have built and equipped the physical plant through which care and treatment are being given.

3) It operates on the principle that service and

services are provided, not that customers are to be reimbursed for the cost of such service and services when they can be found.

4) It stresses preventative medicine and by including routine examinations, diagnostic x-ray and laboratory procedures without additional charge, makes possible the discovery and early treatment of incipient disease.

5) It combines the best features of group practice of medicine with the principle of budgeting in advance for the patient.

6) By providing all its subscribers with one all-inclusive contract, it eliminates the need for many costly accounting and other services, thereby reducing the cost to the patient and improving the efficiency of the service provided.

7) By providing the physical equipment and economic resources necessary for their support, it has made it possible for a group of professional persons to provide services tailored to the needs of the community. By severely limiting excluded types of services, it has made it possible for its subscribers to budget and prepay the expense of medical care with near certainty that additional expense will not be incurred.

Unfortunately, Bill 163 makes no distinction between indemnification for the cost of care or services, which is true insurance, and the actual provision of care and service, paid for in advance. It is submitted that there is a great difference between the two types of plan, which are lumped together without distinction in s. 1 (i) and that rules and safeguards designed to deal with one may be inappropriate in whole or in part when dealing with the other.

Our first major submission, therefore, is that the Bill should clearly distinguish between arrangements for the actual provision of medical or surgical care or services, and arrangements under which the only obligation assumed is that of reimbursement or payment for the cost of such services when rendered by others. These two types of arrangements can properly be looked upon as alternate methods of accomplishing the stated purpose of the Bill, namely, the maintenance of the physical and material well-being of the people of Ontario and the achievement of social, economic and health benefits.

We are concerned also with what appears to be the effect of sections 2, 11 and 12, namely, that a "carrier", which would include an organization that provides medical services, is bound to issue a contract to any resident who is not disqualified by the Bill. In effect, this would mean that

no organization would be permitted to limit its own size but would be compelled to accept all applicants. While this principle may be acceptable to insurers, strictly so-called, it is a principle completely inconsistent with the promise, implicit in our contracts, that service will be made available to all subscribers. Based as it is upon the existence of physical plant and the agreement of a specific group of physicians, the service we make available can only meet the exacting standards we have set for ourselves if the number seeking it is not excessive. These provisions have been based on specific assumptions about the number of patients to be served. These now number about 15,000 and the optimum number will be approximately 20,000. Should an association such as this be compelled to accept larger numbers of subscribers, undesirable limitations would have to be placed upon the services provided.

For similar reasons, such an association cannot fulfil its obligations to subscribers if it is compelled to accept the principle of services "wherever rendered", in a geographical sense. Unlike an insurer, who can reimburse with equal facility physicians and others throughout the province, an organization which provides the actual services can only do so in the physical area it is equipped to serve. In fact, this association does make an exception in that it undertakes responsibility for those rendering service to its subscribers while they are temporarily absent from home, but

the only practical rule that can be followed by an organization of this nature is that of accepting as subscribers only persons resident within an area that can be readily served from and at the Health Centre itself.

A third respect in which we find difficulty in reconciling provisions of the Bill with what we consider to be sound practice for an organization such as ours is in the matter of the "initial subscription". Section 9 provides that the "initial subscription shall not exceed the appropriate maximum subscription" in effect at the date of the application for the contract. While we have little quarrel with the view that a ceiling should be placed on the subscription charged for standard services, difficulties may arise in two respects. First, the Association provides services wider than those provided by either of the standard contracts appended to the Bill, and it may not prove possible to keep costs as low as those incurred under standard contracts. Second, the principle on which the Association functions is broadly similar to that followed by many co-operatives, in this and in other fields, namely, that the capital necessary to provide the required facilities is furnished by the members or subscribers who will be entitled to the benefits to be provided. For this reason, all our subscribers have paid or arranged to pay a "sponsor's fee", and it is intended that future subscribers will be subject to

the same requirement. In effect, the initial group of subscribers have provided the equipment. Future subscribers will bear the cost of depreciation and replacement. While, therefore, it is expected that the subscription to be charged for services will stand comparison with that charged for like services by any other organization or under any other system, in order to be successful the association must be permitted to limit its subscribers to persons or groups who are prepared to assume a capital, once only charge as well.

It is, therefore, submitted that the Bill should make it clear that such terms as "initial subscription" refer only to the regular, periodic charge to be made and that co-operatives and similar organizations are not prohibited from limiting their subscribers to those who are prepared to make a capital contribution entirely separate from the subscription covering the cost of service. Capital costs must be reflected in the charges made by insurance companies, hospitals, individual professional people and others. As with co-operatives, associations such as ours prefer to keep capital charges and service charges entirely distinct and we urge that they be permitted to do so.

The final major respect in which we feel that the Bill in its present form is too rigid is in the provision

that neither insurers nor those providing agreements for the provision of services may offer any contract or services unless they sell and issue standard contracts, as provided in the schedules. Our Association has a very strong desire to adhere to its present policy, which is to sell and issue only one type of agreement, somewhat broader and more comprehensive than the standard contract. While it may be highly desirable to prevent profit-making institutions from declining "standard" contracts and specializing in agreements of a type that may be more profitable, the reasons for that policy have no application to non-profit organizations formed for the sole purpose of providing services to those members of their own community who wish to have them. Putting the matter another way, residents who wish to band together for the purpose of self-help should be permitted to do so without being required to provide services different from those of which they feel the need. If it is necessary to provide administrative services to differentiate between "standard" and "extra" subscribers and to classify each request for service as one or the other time will be wasted, costs will be increased and subscribers will be dissatisfied.

It is therefore urged that, in the case of those issuing contracts for services as distinct from insurers, the requirement for "standard contracts" should have no application.

One further comment is appropriate. In view of

the different purposes and the different operations carried on by insurers and by those who provide services, the provision for one corporation with powers to set rates and levy assessments would appear to be unsatisfactory. It is suggested that,in place of Medical Carriers Incorporated, there be established a similar organization composed exclusively of insurers, strictly so called, subject to approval of certain of its acts by the Department of Insurance and ultimately to arbitration.

Those who provide for services could well be left to the jurisdiction of the Department as at present. However, if some sort of organization is thought to be necessary, a separate organization composed only of such persons and institutions would be preferable.

December 12, 1963.

E X H I B I T I

to the Submission of

The Sault Ste. Marie and District Group Health Association

to

The Ontario Medical Services Insurance Enquiry.

December, 1963.

Submission of
Sault Ste. Marie & District
Group Health Association

EXHIBIT I.

TO: The Ontario Medical Services Insurance Enquiry

THE SAULT STE. MARIE AND DISTRICT GROUP HEALTH ASSOCIATION: STRUCTURE, FINANCING AND FUNCTIONS.

Summary Description

1. The Sault Ste. Marie and District Group Health Association was organized to provide comprehensive health care on a prepayment basis for members of the sponsoring groups of consumers -- initially three local unions of the United Steelworkers of America. The Association constructed and now operates a fully-equipped Health Centre serving some 15,000 persons including subscribers and families.

Structure

2. Constituted as a corporation without share capital, the Association is managed by a Board of Directors which at present includes three (of eleven) who are representative of the community at large. A Medical Director retained by the Association is responsible for the recruitment of physicians and establishment of machinery for what may be termed self-

government of the medical group. This structure is intended, among other purposes, to ensure

a) a basis for future development of the Association to serve groups other than Steelworkers and therefore to meet broader community needs for group health facilities;

b) that the providing of medical care will be subject to complete professional control.

The Health Centre: Physical facilities, services.

3. The Health Centre is a modern structure in suburban Sault Ste. Marie, specifically designed for the group practice of medicine and incorporating numerous advanced features of layout and equipment. Facilities include fully-equipped X-ray and electrocardiograph rooms, an extensive department of physical medicine, dispensary, laboratory, optometric examining room and pharmacy -- the latter operated on a contract basis by independent pharmacists. A surgery is provided for emergencies and minor procedures, although surgical treatment will normally be carried out in hospital. The Centre offers convenient

and comfortable facilities for patients, doctors and ancillary staff, including attractive reception and waiting areas, well-arranged consulting and examining rooms, centralized records, a medical library and an efficient administration centre. An up-to-date telephone department handles all appointments, makes immediate referrals in emergencies and provides 24-hour contact with patients requiring service outside regular hours.

Financing

4. Financing of the $800,000 Centre and its continuing operation was accomplished by means of a voluntary sponsorship fee and arrangements for a regular monthly contribution or premium. First, in order to meet the capital cost of the Centre, local union volunteers canvassed their fellow employees for commitments to pay a sponsorship fee, eventually set at $135 per family, through payroll deduction or other means. Operating costs were provided for through agreements with each employer for the sharing of monthly premiums.

In the case of Algoma Steel Corporation employees, the Union agreed to a dual-choice

procedure under which, in September, 1962, employees exercised individual options, selecting membership either in the Health Centre programme or in a commercial indemnity-type plan designed to pay for medical services to the extent possible with the premium funds available. In either case employee contributions were held at the then-prevailing level and the Corporation's share was increased so as to meet two-thirds of the premium cost. Results of the first dual-choice election confirmed the experience of the earlier sponsorship campaign; some 80 per cent. of the employees indicated their preference for the Health Centre programme. It should be pointed out that this procedure was adopted by employer-union negotiations rather than by the Association as such. Another group of 450 employees at Mennesmann Tube Company selected the Health Centre programme as a group; other groups may employ other means of deciding on types of medical coverage so long as the principles of group enrolment are observed.

Enrolment, present and anticipated; staff requirements

5. At the date of writing, about 15,000 persons were entitled to receive care through the Health Centre. This figure is expected to grow -- largely through enrolment of new groups -- to a capacity fiture of about 20,000 within the next few years. The initial ratio of one doctor for every 1,000 persons will be maintained or improved if necessary through recruitment of additional physicians. Nurses, technicians and other ancillary personnel will also be added as required. Serving the Centre at present are six family physicians and seven specialists: two surgeons, pediatrician, obstetrician and gynecologist, radiologist, anaesthetist and internist. The ancillary staff of 31 includes an administrator, physiotherapist, nurses, X-ray and laboratory technicians, medical records staff and necessary assistants.

Coverage

6. The Health Centre programme is designed to provide services directly to patients on whose behalf the required contributions have been made toward the cost of establishing and operating the programme. Thus, benefits may be defined as all the services the patient requires

and that can be obtained through the Health Centre, and not simply those services the price of which an insurer is prepared to pay. Health Centre benefits generally embrace all necessary medical care at the Centre, in hospital and at home, and include periodic health examinations, immunizations and other preventive measures. Because of its structure the Health Centre is also able to engage in a systematic programme of health education, as well as rehabilitative medicine and research -- all by or under the supervision of physicians but utilizing the skills of other professional personnel (e.g., physical therapists) as needed.

Such benefit restrictions as may be imposed at this stage of development by financial and physical limitations are clearly defined and do not in any case involve "extra billing" by the Health Centre. Dental care, drugs and appliances are not provided at present, although the pharmacy (operated under contract by independent pharmacists) is expected to produce some economies as well as convenience for subscribers. Certain medical

services to which a subscriber may become entitled under public programmes such as Workmen's Compensation are excluded, but only in the sense that the cost of treatment provided by the Health Centre will be chargeable to the appropriate government agency.

In some cases it will be necessary to refer a patient outside the group for consultation or treatment, payment for which will be made by the Association. Subscribers and their families are also entitled to payment for emergency medical care when outside the area serviced by the Health Centre and, under some circumstances, for the services of local physicians outside the group.

Conclusion

7. From the consumer's point of view the combination we have described, prepayment and the direct provision of services through group practice, offers in a single programme the best possible medical care and the best available means of paying for it. The physicians' point of view no doubt can be better expressed by the physicians themselves, but one or two observations may be made here,

based on experience of this and other projects of a similar nature. For one thing, doctors feel that their effectiveness as medical practitioners is greatly enhanced when they are in a position to conduct or recommend a medically-desirable course of treatment without concern for the patient's insurance coverage or his ability to meet non-insured costs. The effectiveness of the doctor is further increased in the Health Centre programme by the ready availability of well-qualified colleagues for consultation and referral, modern equipment for a wide range of diagnostic and therapeutic procedures, an adequate staff of skilled paramedical personnel, and all necessary administrative services.

Within this framework are to be developed appropriate methods for improving the services available to subscribers, maintaining high standards of medical practice, and ensuring favourable working conditions as well as remuneration for those providing the services.

While much of its initial development has been guided by lessons learned from other group

health experiments, the Health Centre programme is sufficiently flexible to respond to the needs of the community, to new advances in the science of medicine and to innovations in the organization of medical and related services.

Sault Ste. Marie, Ontario.
December, 1963.

ONTARIO MEDICAL SERVICES INSURANCE ENQUIRY

Wednesday, January 22nd, 1964

The Sault Ste. Marie and District Group Health Association

John H. Osler, Q.C. -- Counsel

John G. Barker
Chairman of the Board

T. A. Ferrier, M.D.
Medical Director

Gordon Milling
Member of the Board of Directors

Summary of Recommendations

1. Amendment of s. 1 (i) to exclude organizations which provide medical or surgical care or services, as distinct from mere indemnification for some or all of the cost of such services.

1.a. Alternatively, a clear differentiation between the above types of organization, with special provisions applicable to the former.

2. Amendments to secs. 2, 11 and 12 so as to make it clear that any particular organization of the first type is not obliged to accept all applicants, regardless of geographical location.

3. Eliminate, for the first type of organization, responsibility to give service wherever requested.

4. Provision for special arrangements with respect to working capital in the first type of organization.

5. Elimination of the requirement for "standard contracts", of identical nature to those provided by insurers, in the case of the first type of organization.

6. Removal of organizations providing services from the jurisdiction of Medical Carriers Incorporated, leaving them to be supervised either by the Departments of Health and Insurance, as at present, or by separate organization formed for that purpose.